

INFORMATION REPORT

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COUNTRY **East Germany**

REPORT

SUBJECT **Costs and Prices in Heavy Industry and Agriculture and Forestry. New Method of Compensating ZAFT for Research Work**

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1. **Goods Production Plan for the East German Ministry for Heavy Industry for 1955 included the following figures:**

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Goods production at plant delivery prices	11,364,630.5	TDM
Goods production at industrial selling prices	12,827,706.7	TDM
<u>Selbstkosten</u> ¹ of the goods production	9,883,001.2	TDM

25X1

Turnover at plant delivery prices	11,546,758.8	TDM
Turnover at industrial selling prices	13,077,432.8	TDM

Planned gain

2,148,109.7 TDM

Planned loss (last three quarters of 1955)

764,033.8 TDM

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(This figure is approximately 350,000 TDM lower than the original plan figure due to the increase in Schwammstahl prices.)

2. The 1955 budget for the Department for Research and Technology has been set at 72,000,000 DME. 12,000,000 DME were cut from the original plan before the final figure was approved by the Council of Ministers.

3. The State Planning Commission has prepared an ordinance to be effective 1 July 1955, whereby research costs for new techniques or inventions developed by the Central Department for Research and Technology (ZAFT) will be paid by enterprises employing the new development. At present, the cost of developing such techniques is borne by the ZAFT. Under the new scheme, any plant or plants employing the technique will themselves pay the entire costs involved (either alone or divided equally among the users). Such costs will be amortized over a period of five years. The decree has been submitted to the various ministries affected for comment. The Ministry of Heavy Industry objected to the decree because of the increased costs it will entail. The Ministry prefers procedural adjustments and improved working methods, rather than inventions, as the means of increasing production.

4. The production tax (Produktionssteuer) is to be introduced generally throughout East Germany by 1 January 1956. The tax has already been put into

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effect in the potash, coal and metallurgical branches of heavy industry. All enterprises where the system is in effect must make a daily accounting in their books and calculate daily the amount due the state on the day's transactions.

5. The following decrees have been drafted and are to become effective 1 January 1956 if approved:

a) A decree prepared by the Amt fuer Wasserwirtschaft³ to increase the price of water to industrial consumers. The measure is expected to bring in 120,000,000 DME in additional revenue to the state treasury.

b) A decree drafted by the Ministry for Agriculture and Forestry to raise the cost of lumber and lumber products by about 100%. The revenue gain from furniture alone as a result of the decree is estimated at about 36,000,000 DME. The Ministry of Heavy Industry is objecting to the decree because of the resultant higher costs to heavy industry.

c) The Ministry for Heavy Industry has prepared a decree providing for an increase of about 40% in the price of rolled-steel products and about 50 to 60% in the cost of cast-steel items.

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6. The unexpected large stock in excess of plan (Ueberplanbestand) in aluminum at the end of the first quarter of 1955 has been interpreted by some as resulting from a change in intended plans for aircraft construction.

Comment. Salzkotten: Production cost.

Comment. Rationalisierung.

Comment. Office of Water Engineering.

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